

DELMAR SCHOOL DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING
AGREED-UPON PROCEDURES

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Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Lillian M. Lowery
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19903-1402

David Ring, Ed.D.
Superintendent
Delmar School District
200 North Eighth Street
Delmar, DE 19940

Dear Secretary Lowery and Dr. Ring:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (DOE) and Delmar School District (District) solely to assist you, the specified parties, in evaluating the compliance and effectiveness of the District's internal control over compliance with DE Code Chapters 13 and 17, Senate Bill 385 and DE Admin Code Title 14 Subsections 525, 701 and 925. Procedures were performed for student accounting and enrollment as of September 30, 2008. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for fiscal year ended June 30, 2008. Management is responsible for the District's internal control over compliance with the requirements related to the above areas.

This agreed-upon procedures attestation engagement was performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

STUDENT ENROLLMENT

Agreed-Upon Procedure Number 1: Determine if the District's policies and procedures for preparing, reviewing and reporting the September 30 student count are adequate.

Finding:

Criteria

The State of Delaware Budget and Accounting Policy Manual states, "Department or agency heads are responsible for establishing and maintaining an effective system of internal control." Further, the manual states, "A well designed system of controls must include written policies and procedures to ensure that each control objective is met." State of Delaware regulations provide guidance on processes it considers

Agreed-Upon Procedure Number 1 - Continued:

Criteria - Continued

necessary for adequate written internal controls over preparing, reviewing and reporting the September 30 student count.

Condition

We obtained the District's written policies and procedures regarding the September 30 student count. Our review determined that certain processes considered necessary for adequate internal control were excluded from the District's written policies and procedures.

Cause

The District failed to implement the recommendation included in the prior and most recent agreed-upon procedure report dated December 16, 2005, regarding the September 30 student count.

Effect

Insufficient written policies and procedures create a greater risk of noncompliance with DE Code and the DOE regulations and guidelines including improperly reporting students to the DOE during the September 30 student count.

Recommendation: It is our recommendation that the District's current written policies and procedures be expanded to include the following:

- Policies and procedures in regard to gathering and maintaining documentation that supports attendance and reported enrollment figures (medical excuses, transfer/entry/withdrawal forms, homebound documentation, documentation relating to children placed in alternative education settings, re-engineered students, etc.)
- Procedures for students who have been absent greater than five days during the count period
- Procedures to ensure eligibility to count a student that transferred in during the count period
- Procedures to ensure students transferring out of District during the count period are counted by the appropriate District
- Retention policy of records (September 30 audit file) supporting the September 30 unit count
- Attendance-taking processes to include E-School software procedures
- Policies and procedures in regard to Individualized Education Program files to ensure the information is present and current
- Policies and procedures to ensure vocational student files are current and contain the required information in accordance with the DOE's Administrative Directives

District Response: The Delmar School District will establish and maintain written policies and procedures to ensure that the September 30 student count process is clearly documented and written in a way to ensure adequate internal

District Response - Continued - control over preparing, reviewing and reporting that information. The policies and procedures will include but are not limited to:

- Gathering documentation for attendance records;
- Establishing procedures for students having greater than five days absent during the count; students who have transferred in during the count and students who have transferred out during the count;
- Establishing a record retention policy
- Documenting attendance recording procedures
- Establishing policies and procedures for files of special education students as well as for vocational students

Agreed-Upon Procedure Number 2: Determine if the District properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

Finding:

Criteria

State of Delaware Administrative Code Title 14 Chapter 700 Subsection 701 entitled "Unit Count"

Condition

While performing the procedure above, we found the District did not report 5 students who were attending an alternative placement facility that met the criteria to be included in the District's September 30 student count under State of Delaware Administrative Code Title 14 Chapter 700 Subsection 701.

Cause

The District was unaware that students enrolled and attending an alternative placement agency should be included in the September 30 student count by the sending school pursuant to 14 DE Admin Code 611.

Effect

The District improperly reported enrollment figures to the DOE; however, no additional units and/or State funding would have been earned by reporting these five students.

Recommendation: It is our recommendation the District develop policies and procedures regarding the eligibility of students enrolled in outside agencies during the September 30 count period.

District Response:

The Delmar School District will establish and maintain policies and procedures to track and maintain the September 30 eligibility of students enrolled in placements or agencies outside of the Delmar School District.

Agreed-Upon Procedure Number 3: Select ten percent (10%) or a minimum of five “Individualized Education Program” (IEP) files at each school to verify that each file contains the required documentation in accordance with the DOE’s Administrative Manual for Special Education Services and calculate the dollar impact of disallowed students, if applicable.

Finding:

Criteria

State of Delaware Administrative Code Title 14 Chapter 900 Subsection 925 entitled “Children with Disabilities Subpart D, Evaluations, Eligibility Determination, Individualized Education Programs”

Condition

While performing the procedure above, we found all files selected contained the required documentation in accordance with the DOE’s Administrative Manual for Special Education Services.

Agreed-Upon Procedure Number 4: Select ten percent (10%) or a minimum of five students enrolled in the Cooperative Education and Diversified Educational Programs and confirm that the students’ files contain the required documentation in accordance with the DOE’s Administrative Directives and calculate the dollar impact of disallowed students, if applicable.

Finding:

Criteria

Title 14 Delaware Administrative Code Title 14 Chapter 500 Subsection 525 “Requirements for Career and Technical Programs”

Condition

Our procedure determined that student files for the high school’s Cooperative Education Program were not being maintained in accordance with Title 14 Delaware Administrative Code Subsection 525. It was further determined that training agreements, as described in the above criteria, were not being developed and maintained.

Cause

The high school and District were not familiar with the necessary requirements as outlined in Title 14 Delaware Administrative Code Subsection 525 due to the recent implementation of Career and Technical Programs within the high school. The high school and District did not become eligible to report these students in their September 30 student count until September 30, 2008.

Effect

As a result of the above condition, the District did not qualify for career and technical education funding units for the Cooperative Education Program student files examined. The disallowance of these students resulted in a loss of

Effect - Continued

2,420 vocational minutes equivalent to .09 vocational units. The disallowance of .09 vocational units did not result in a loss of total Division II funds.

Recommendation: It is our recommendation that the District develop policies and procedures to ensure vocational student files are properly maintained, current and contain the required information in accordance with Title 14 Delaware Administrative Code Subsection 525. It is further our recommendation the District contact the DOE to ensure the District's vocational minutes and units are adjusted appropriately as a result of the disallowance.

District Response:

The Delmar School District will establish and maintain policies and procedures to properly maintain and track the files of vocational students in accordance with Title 14 Delaware Administrative Code Subsection 525.

AUTHORIZED POSITIONS

Agreed-Upon Procedure Numbers 1 and 2:

- Determine if the District's control procedures for monitoring, tracking and reconciling the number of employees are adequate.
- Determine if the District's control procedures for monitoring and tracking salaries charged to the State's general fund are adequate.

Finding:

Criteria

The State of Delaware Budget and Accounting Policy Manual states, "Department or agency heads are responsible for establishing and maintaining an effective system of internal control." Further, the manual states, "A well designed system of controls must include written policies and procedures to ensure that each control objective is met." State of Delaware regulations provide guidance on processes it considers necessary for adequate written internal controls over monitoring and tracking the number of employees and salaries charged to the State's general fund.

Condition

We obtained the District's written policies and procedures regarding controls over monitoring and tracking the number of employees and salaries charged to the State's general fund. Our review determined that the necessary processes identified by the State of Delaware are included in the District's written policies and procedures.

Agreed-Upon Procedure Number 3: Compare the number of paid positions by category to the number of authorized positions per 14 DE Code, Chapters 13 and 17.

Finding:

Criteria

State of Delaware Code Title 14 Chapters 13 and 17 entitled “Salaries and Working Conditions of School Employees” and “State Appropriations”

Condition

When comparing the number of paid positions by category, utilizing the payroll report detailing wages paid on February 1, 2008, to the number of authorized positions as determined by 14 DE Code, Chapters 13 and 17 it was determined that the District was operating within its number of authorized positions by category.

Agreed-Upon Procedure Number 4: Recalculate the annual salary of the following selected positions to determine if employees were paid in accordance with 14 DE Code, Chapter 13.

Superintendents =	100%
Assistant Superintendents =	100%
Principals =	100%
Directors =	100%
Classroom Teachers =	10%

Finding:

Criteria

State of Delaware Code Title 14 Chapter 13 entitled “Salaries and Working Conditions of School Employees”

Condition

Our procedure identified the following discrepancies:

Position	Salary Amount Inappropriately Charged to the State's General Fund
Teacher	\$ 1,432
Teacher	\$ 1,938
Teacher	\$ (24)

Cause

During the year, the salary of each position identified above was adjusted due to either salary supplements and /or salary stipends becoming effective midyear. When the adjustment was entered into the payroll system an error occurred in properly allocating the revised total salary amount between state and other funding sources.

Effect

The District inappropriately overcharged the State's general fund \$3,370 in payroll costs. Additionally, \$24 in payroll costs which were eligible to be paid out of the State's general fund were paid out of an alternative source of funding.

Recommendation: It is our recommendation the District contact the DOE to determine appropriate repayment terms.

District Response:

Delmar School District will contact DOE to determine appropriate repayment terms for the correct funding. Additionally, the District has set up a procedure to double check funding when any change in salary is processed and will verify that the funding is correct each pay period.

OCCUPATIONAL-VOCATIONAL UNIT DIVISION II FUNDS

Agreed-Upon Procedure Number 1: Obtain confirmation from the DOE if the District was granted a waiver of the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

Finding:

Criteria

State of Delaware Code Title 14 Chapter 17 Subsection 1706 entitled "Determination of Amount of Division II Appropriation"

Condition

The District chose not to request a waiver from the DOE.

Agreed-Upon Procedure Number 2: Select a sample of FY07 and FY08 occupational-vocational funds expended from July 1, 2007 through June 30, 2008 to determine if they were (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS). Our sample was selected as follows:

For funds received during FY07 (0265-07 funding) but spent during FY08, and for funds received and spent during FY08 (0265-08 funding), select 10 transactions between the range of \$100 to \$1,000 and 20 percent of transactions greater than \$1,000 or a minimum of 5 transactions (whichever is greater).

Finding:

Criteria

State of Delaware Code Title 14 Chapter 17 Subsection 1706 entitled “Determination of Amount of Division II Appropriation”

Condition

All expenditures examined relating to FY07 and FY08 occupational-vocational funding were determined to be (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in DFMS.

Agreed Upon Procedure Number 3: Review financial records to determine if FY07 and FY08 occupational-vocational division funds were properly allocated to and spent by the schools within the District that generated the funding.

Finding:

Criteria

State of Delaware Code Title 14 Chapter 17 Subsection 1706 entitled “Determination of Amount of Division II Appropriation”

Condition

Our procedure determined that FY07 occupational-vocational funds were misappropriated as follows:

	Fiscal Year 2007 Occupational-Vocational Funds Authorized	Fiscal Year 2007 Occupational-Vocational Funds Expended During Fiscal Years 2007 and 2008
Delmar Middle	\$ 29,784	\$ 26,098
Delmar High	\$ 42,662	\$ 44,583
Delmar ILC	\$ 193	\$ 900
Not Determinable	\$ -	\$ 1,058

Cause

The District lacks sufficient internal controls in regard to monitoring expended occupational-vocational funding by school.

Effect

Delmar High and Delmar ILC expended a total of \$2,628 of FY07 occupational-vocational funding to which they were not entitled. Additionally, our procedure could not determine which location within the District expended \$1,058 of FY07 occupational-vocational funding.

Recommendation: It is our recommendation that in order to comply with Chapter 14 of DE Code Subsection 1706 the District repay through local funds, \$3,686 to appropriation 0265-07 and make those funds available to the middle school.

It is further our recommendation that the District implement policies and procedures to allocate and track occupational-vocational funds by school to avoid future misappropriations. These policies and procedures should include a monitoring process to regularly compare the amount of funds expended by each school against the amount of funding authorized.

District Response:

Delmar School District will make available to our Middle School \$3,686 from local funds to repay the over expenditures by the High School from vocational funds during FY 2008. The funds will be transferred into the FY08 vocational account 0265 since FY07 funding is closed.

The District has already set up a procedure for monitoring the spending by each school of vocational funds and it will become a part of the district financial internal controls. The Director of Finance will monitor these expenditures on a monthly basis.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the District and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of Auditor of Accounts, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance.

Ballint, Lyons & Shuman, P.A.

February 5, 2009
Wilmington, Delaware